



AlphaNorth
Asset Management

FUND COMMENTARY

AlphaNorth Resource Fund

May 2013

NAV
Series A (ANF020) \$8.486
Series B (ANF040) \$8.478
Series F (ANF021) \$8.489

Fund Review The Fund performance was (0.4%) in May. This compares to the TSX Venture index return of (0.4%) and the TSX Small Cap index return of 1.5%.

The junior resource stocks showed signs of stabilization in May. The energy subsector of the BMO Small Cap index increased by 2.7% despite a modest negative return for oil and an 8% decline in natural gas prices. Precious metals continued to be the weakest component of the junior resource sector. We are unlikely to see a substantial rally in precious metals and the corresponding stocks until the U.S. dollar declines. In recent days, we have seen U.S. dollar weakness so it is possible that this process has begun.

We currently favour base metal companies as we believe they will be the first movers after it becomes widely apparent in the coming months that global growth is accelerating. Uranium is also an area on which we are currently focusing. We believe that it is quite likely that Japan will restart its nuclear reactors in the coming months. This should be a positive catalyst for both uranium prices and the junior uranium stocks.

The current sector mix of the portfolio is comprised of 49% in base metals, 4% in coal, 18% in uranium, 12% in iron ore, 6% in precious metals and 11% in energy.

Outlook It is interesting to note how quickly the U.S. has gone from a bankrupt nation on the verge of a fiscal cliff to the star of the global economic recovery. Despite the prognostications of the perma-bears, tax increases combined with spending cuts and improved economic growth have gone a long way to balance budgets in many jurisdictions in the U.S. Therefore, it seems the U.S. is not spiraling into a debt abyss as predicted by these bearish forecasters and as sensationalized by the media. The strength in housing, retail sales, employment, consumer confidence and ongoing global stimulus, which we have been highlighting in our commentaries, continues to play out and has resulted in U.S. large cap equity outperformance in 2013. Despite this strength in U.S. large caps and to a lesser extent the TSX, Canadian small caps have continued to perform poorly. The TSXV has declined by more than 60% since March 2011. We strongly believe that investors who are selling at this late stage will be disappointed.

In our view, the current prospects are highly skewed in favour of higher prices for small cap equities. There are many indicators which support this: extremely poor investor sentiment, declining volumes, attractive valuations, improving economy, accelerating global growth, rising bond yields and insider buying, to name a few. Perhaps we are already witnessing the beginning of this shift as the TSXV has started to outperform the TSX over the past several weeks.

Regards,



Steven Palmer
Steven Palmer, CFA
President and CEO

Monthly Performance (Series A)*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
AlphaNorth Resource Fund		2.3%	(2.3%)	(14.8%)	(0.4%)								(15.1%)
S&P/TSX Small Cap		(0.1%)	0.8%	(4.8%)	1.5%								(2.6%)
S&P/TSX Venture		(0.7%)	(3.0%)	(12.2%)	(0.4%)								(15.7%)

Key Reasons to Own This Fund

PROVEN LONG TERM PERFORMANCE:

- ◆ Management team has a 15 year track record of generating industry leading returns (30%+ annualized)**

CAPITALIZE ON THE GROWING GLOBAL DEMAND FOR RESOURCES:

- ◆ Diversified exposure of Canadian resource equities with attractive risk/reward characteristics.

TAX-DEFERRED SWITCHING BETWEEN FUNDS:

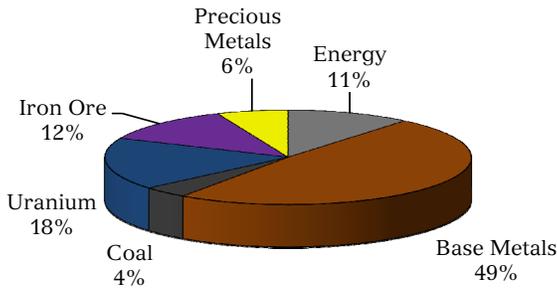
- ◆ AlphaNorth Mutual Fund Limited offers an additional fund class with tax-deferred switching:

⇒ **AlphaNorth Growth Fund (ANF010, ANF011)**
Ideal for investors who are seeking exposure to a broad range of Canadian small cap equities.

Performance Analysis

	AlphaNorth Resource Fund	S&P/TSX Small Cap
Returns *		
1 Month	(0.4%)	1.5%
YTD	(15.1%)	(2.6%)
1 Year	-	-
2 Year	-	-
3 Year	-	-
Since Inception (annualized)	-	-
Since Inception (cumulative)	-	-
Best Month	-	-
Worst Month	-	-
Advancing Months	-	-
Standard Deviation	-	-
Sharpe Ratio	-	-
Beta	-	-

Current Sector Allocation



Fund Information

Lead Manager:	Steven Palmer
Inception:	February 25, 2013
Fund Codes:	Series A - ANF020 Series B - ANF040 (rollover vehicle) Series F - ANF021
Fund Details:	RSP/RESP eligible \$1,000 minimum investment
Sub/Redemption:	Daily
Lock-up:	None
Early Redemption Fee:	2% in first 90 days (except Series B)
Management Fee:	2%
Performance Fee:	20% above TSX return High water mark (no reset)
Trailer:	1% (Series A and B only)
Auditor:	Deloitte & Touche LLP
Administration:	State Street Trust Company & IFDS
Legal:	Stikeman Elliott LLP
Fund Assets:	\$2 million
Account Enquiries:	1-877-506-8122
Sales and Marketing:	Skye Collyer 416-506-0776 x227

Investment Strategy

The **AlphaNorth Resource Fund** (the "Fund") is an **open-ended mutual fund**. The investment objective of the Fund is to generate strong returns by investing in Canadian resource companies that offer attractive risk-reward characteristics. The Fund invests primarily in junior and intermediate Canadian resource companies, and will evaluate industry and company fundamentals to evaluate investment opportunities which offer the most attractive risk-reward. AlphaNorth believes that superior long term investment returns are achievable by exploiting inefficiencies in the Canadian small to medium-cap universe through careful security selection. Fundamental analysis of companies is used in combination with technical analysis techniques, which has proven to be successful, to assist in the timing of buy/sell decisions. The firm combines both a bottom-up and top-down strategy in the selection of investments offering the best risk/reward characteristics.

Company Profile

Founded in 2007, AlphaNorth Asset Management's goal is to achieve superior long term returns for investors. Our value added approach combines the successful track record and investment experience of Steven Palmer and Joey Javier who have worked together as a team since 1998 in the investment industry. Presently, AlphaNorth manages the AlphaNorth Partners Fund, a long biased small cap focused hedge fund, the AlphaNorth the AlphaNorth 2012 Flow-Through LP, the AlphaNorth Resource Fund and the AlphaNorth Growth Fund.

Key Personnel:

Steven Palmer is the President and CEO of AlphaNorth Asset Management. Mr. Palmer started his career in the investment industry in 1995 on the sell side of the business before transitioning to the buy side in 1997. Most recently, from July 1998 to August 2007 he was employed as Vice President - Canadian Equities at one of the world's largest financial institutions where he managed the Canadian equity assets of approximately \$350 million. Mr. Palmer managed a pooled fund focused on small capitalization companies from inception in 1998 to August 2007 achieving returns that were ranked #1 in performance by a major fund ranking service in their small cap pooled fund category (35.8% annualized over 9 years as compared to 10.0% for the S&P/TSX Composite and 13.0% for the BMO Weighted Small Cap Total Return Index) over the same period. Mr. Palmer also managed a large cap fund which was ranked in the first quartile for the following time periods: one year, two year, 3 year, 4 year, 5 year and 10 year. Mr. Palmer earned a BA in Economics from the University of Western Ontario and is a CFA.

Joey Javier is Vice President and Secretary of AlphaNorth Asset Management. Mr. Javier started his career in the investment industry in 1997 as an Equity Trader for one of the world's largest financial institutions where he worked together with Mr. Palmer as the equity team. Mr. Javier was responsible for all equity and money market trading as well as back-up for the fixed income portfolio manager. Mr. Javier has a BA in Economics from York University and is a CIM.

Disclaimer

**The information contained in this document is not a solicitation to sell any investment products offered by AlphaNorth Asset Management. The information contained herein is for discussion purposes only. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return for the Series A shares of AlphaNorth Resource Fund are the historical, annual compounded total returns including changes in share value and the reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any shareholder that would have reduced returns. For Series B and F returns, refer to the website at www.alphanorthasset.com. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. The AlphaNorth Resource Fund commenced operations on February 25, 2013. 2013 year to date data is calculated from inception date. **Based on growth of investment in institutional small cap pooled fund from inception August 1, 1998, to August 1, 2007, and growth of investment in AlphaNorth Partners Fund from inception December 1, 2007 to the current NAV.*